

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE BETHLEHEM AUTHORITY**

AUGUST 19, 2010

The regular meeting of the Board of Directors of the Bethlehem Authority was held on August 19, 2010 in Conference Room B504, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:35 PM by Chairman Mark Jobes, with the following also in attendance:

John Tallarico, Vice Chairman
Vaughn Gower, Treasurer
James Broughal, Esq., Solicitor
John Filipos, Controller
Stephen Repasch, Executive Director
Sandra Reppert, Administrative Assistant
Daniel Meixell, Special Officer

APPROVAL OF MINUTES

Chairman Jobes presented the minutes from the regular meeting held July 8, 2010. Mr. Gower moved to approve the minutes. Mr. Tallarico seconded. Motion passed unanimously.

RECOGNITION OF VISITORS / COURTESY OF THE FLOOR

Chairman Jobes welcomed and recognized the following visitors:

- Eugene Carroll, UGI Utilities
- Kevin Frederick, UGI
- Rich Kiernan, UGI
- Taylor Bet, UGI
- Stephen Antalics, Bethlehem resident
- Greg Fuller, Iberdrola Renewables
- Dave Brong
- Jeff Andrews
- Bud Cook, The Nature Conservancy
- Eric Bard, Niclaus Engineering
- Glen Eby, Niclaus Engineering
- Chuck Leonard, Pocono Mountains Economic Development Corp.

Mr. Antalics commented that he had received a lot of information concerning the Marcellus Shale and would like the Authority to be aware of all the issues surrounding it. Chairman Jobes thanked him and reiterated the Board is always interested in matters related to the environment. Mr. Antalics was asked to email the information to the Executive Director.

Long Pond Gas Pipeline Presentation. Mr. Chuck Leonard from the Pocono Mountain Economic Development Corp. (PMEDC) thanked the Board for the invitation to present the plan for a proposed gas pipeline, part of which crosses Authority land. A feasibility analysis was done on four routes, two were looked at in detail, and based on all the factors, PMEDC, Niclaus Engineering and gas partner UGI are presenting the preferred route today. The pipeline is critical infrastructure identified by the Federal government to bring natural gas to central Monroe County, with Sanofi Aventis being the primary target.

Mr. Glen Eby from Niclaus Engineering explained the scope of the project. In addition to Authority property, there are State game lands and residential property owners involved—approximately 20 in total. The proposal is for a 20-foot wide gravel road and temporary construction easement, and a necessary 50-foot wide permanent utility easement to accommodate the eight inch diameter gas transmission pipeline. Erosion and Sedimentation and NPDES permits will include the entire 70-foot wide easement. The pipeline will cross under an existing water transmission main, there are no wetlands or stream crossings, and the pipeline is approximately 12.5 miles long with 26,000 feet on Authority property. Monuments will be located and legal descriptions drawn up before construction. It is planned to have permits in place by next spring, begin construction immediately, and complete the project by 2012. Financing is being provided by grants, gaming and end users. The Authority will be fairly compensated for the right-of-way across its land.

Mr. Broughal informed the Board that there are Federal regulations beyond the 50 foot right-of-way that would impact any development of Authority property. He has asked for more information on these regulations since they are difficult to understand and especially concerning high pressure gas lines. He also mentioned that when the proposed mapping and rights-of-way of the pipeline are finalized, the Authority's consulting engineer should review and approve them.

There was some discussion about the landscape and the proposed plantings. PMEDC indicated that those plans haven't been finalized yet, but the focus will be on native species. Also, the Authority has not committed to doing the same as the Game Commission might want to do. The Authority will discuss this with The Nature Conservancy (TNC).

(It is noted that Richard Master entered the meeting at 3:50 PM)

Mr. Rich Kiernan from UGI said that of the different options looked at, the proposed route is a good option that will help the targeted area. Also, PMEDC will own the pipeline and UGI will be the operator and supplier of the gas once construction is complete.

The Board would like to see this pipeline plotted on the big map of the watershed. Mr. Repasch and Mr. Jeff Andrews are working on that. This pipeline parallels the watershed boundary line to the south of Grass Lake, then angles off and runs through the heart of the upper watershed.

REPORT OF THE CHAIRMAN

Working Woodlands Program. Chairman Jobes reported that the Working Woodlands Program (WWP) is moving forward. It was already endorsed by the Mayor at a press conference after last month's meeting. The next step is presenting it to the Finance Committee of City Council (Council)

before final determination by Council. However, based on concerns expressed by the Board, the language in the term sheet needed to be revised and he asked Mr. Broughal to explain.

Mr. Broughal said the Energy Development—Wind Power Generation section of the term sheet had to be revised, since the Board is working diligently toward a wind energy project:

“Therefore, should commercial wind development be pursued by the Authority, the Authority shall agree to the minimum standards of the Pennsylvania Wind and Wildlife Collaborative for natural resource protection.” The problem with this statement is there are no minimum standards that have been developed. To ask a wind power partner to agree to something that hasn’t happened yet would be difficult. It has been revised to read: ***“the Authority agrees to give reasonable consideration to the minimum standards to be developed by the Pennsylvania Wind and Wildlife Collaborative for natural resource protection.”***

There is also a list of six items “the Authority shall agree to” and one that specifically states: (5) Preclude the development of wind generation in barrens habitats as identified by the Conservancy and the Pennsylvania Natural Heritage Program. It has been revised to read: ***“the Authority agrees to give reasonable consideration to”*** the six items, so the Authority is not bound to them.

TNC has agreed to these changes. The Board needs to decide whether to move forward or not with the newly revised term sheet.

Mr. Master said that the Authority has to maintain its discretion. We have been good environmental stewards and sensitive to community concerns. We don’t want to deter a wind developer from making an investment in a project if the entity outside of the Authority has scrutiny beyond what it is normally used to. The language change shows the Authority is not giving up its authority to TNC. Mr. Broughal said this term sheet is a non-binding agreement. Ultimately, there will be two operative agreements entered into to consummate the items in this term sheet. Chairman Jobes added the wind energy potential is a key factor in working through those documents, so issues and concerns are made clear and addressed up front.

Mr. Gower moved to approve the amended Working Woodlands Program term sheet as presented and discussed. Mr. Master seconded. Motion passed unanimously.

Mr. Broughal informed the Board he was asked to prepare a resolution for Council, stating Council approves the WWP term sheet, conditioned on Council having the right to review and approve the two operative agreements related to the WWP. Council’s solicitor, Attorney Spadoni, has not reviewed or approved the resolution yet, but he should by tomorrow. The reason is if Council would not agree to the term sheet, then there would not be any time wasted working on the two operative agreements. The resolution will have to be presented at a Finance Committee meeting, and once approved, it will be recommended to Council and it will require only one reading. The dates and times of those meetings will be provided to TNC so they can attend and answer any questions in support of the WWP.

Wind Energy Developer Evaluation. Chairman Jobs reported that the entire Board has done a tremendous amount of work on this endeavor. There are so many variables being considered, but the top priority is to stick to the mission of protecting the water and watershed. There are financial possibilities to quantify and qualify as well. Of the three developers interviewed, two have been identified and are being considered. The evaluation has been lengthier than originally thought, but that is because the Board wants to make sure from the start who is best to partner with and not rush to judgment. It is hoped that by next month's meeting, a decision will be reached.

Mr. Greg Fuller from Iberdrola Renewables spoke about the Pennsylvania Wind and Wildlife Collaborative. The Collaborative is a group of state agencies (Game Commission, DEP, DCNR), industry members (utilities), and various advocacy groups (TNC, Sierra Club, etc.) tasked with the management of environmental resources. The Game Commission and DCNR have developed a voluntary co-operative agreement, which is the most significant protocol developed up to this point, and which Iberdrola has signed. The Collaborative is a work in progress.

Chairman Jobs concluded that there will be a conference call with our consultant, Broadlands. They will provide their professional recommendation after the finalists have been fully evaluated.

REPORT OF THE EXECUTIVE DIRECTOR

Timber Stands 22/24 Access Agreement. Mr. Repasch reported that the property owners responded to the Authority's proposed agreement to access Timber Stands 22 and 24. They did not agree to the Authority's proposed terms. Instead of \$5,000 for a five year access agreement for not more than three months access per year, the owners want \$5,000 per year for access. There are some other issues with the proposed access route, but none that would affect the Authority's use (this property is a commercial ATV track and currently not in use). The proposed value of the improvement cut for these timber stands is ~\$42,000. After five to seven years, the more valuable cherry and oak trees could be worth ~\$125,000.

Mr. Broughal went on to explain that if no agreement is reached, the access can be condemned. Although the condemnation process is not lengthy, it could become cost prohibitive.

Mr. Repasch said another option is for the Authority to pay \$5,000 for a one year agreement, and when it needs access again in five or seven years, negotiate another access agreement at that time.

After further discussion, the Board authorized the Executive Director to negotiate with the property owners, in good faith, a one year access agreement or a reasonable compromise.

Citizens Energy Non Disclosure Agreement. Mr. Repasch informed the Board that with regard to the current wind energy developer evaluation process, the Authority needs to enter into a Non Disclosure Agreement with Citizens Energy. It is a standard agreement, the same as the Authority signed with Delsea Energy, and it has been reviewed and approved by Mr. Broughal.

Mr. Gower moved for the approval of the Citizens Energy Non Disclosure Agreement, and for the Chairman to execute the agreement. Mr. Tallarico seconded. Motion passed unanimously.

East Allen Township Water Service Agreement. Mr. Repasch reported that he and Mr. Dave Brong have had discussions with East Allen Township (EAT) and East Allen Township Municipal Authority (EATMA) regularly over the past several months. EAT wants to dissolve EATMA and exit the water business. Parts of EATMA's water system need repair, there are supply problems, and other infrastructure issues. The City has a pipeline very close to some developments currently supplied by wells, as well as potential future developments. EAT has indicated that they prefer Bethlehem water. (the City currently serves portions of the township through a bulk meter system).

An agreement has been reached for the City to have exclusive negotiating terms to purchase EATMA's system. Mr. Broughal has reviewed the agreement, and EAT and EATMA have approved the agreement this week. The agreement states the City will compensate EAT not more than \$10,000 for producing documents related to determining the value of the portion of the system to purchase. This endeavor is based on a speculative process and significant development potential to the north. The LVPC may get involved if water lines are extended into rural areas to be developed. Northampton Area School District is proposing a new middle school right near the City's water line and they have alluded to the fact that they'd prefer Bethlehem water, too. EATMA's troubled infrastructure is wells and water mains that are under-sized. Currently, there are 373 customers through the bulk sales agreement, with another 100+ projected in the future after purchasing the system. If expansion is part of the solution for the City's water system, this is the perfect opportunity.

Mr. Repasch said there are four parties to the water service agreement and it has been reviewed and meets the approval of Mr. Broughal.

Mr. Master moved to authorize the Executive Director, on behalf of the Bethlehem Authority, to execute the Water Service Agreement with East Allen Township, East Allen Township Municipal Authority, and City of Bethlehem and presented and discussed. Mr. Gower seconded. Motion passed unanimously.

Keiper House Hunting Club Lease. Mr. Repasch presented a new hunting club lease to the Board for their approval. The lease is with the Buck Rub Hunting Club for approximately 200 acres of land at \$10 per acre in Long Pond, Tunkhannock Township. The structure on the property, commonly referred to as the Keiper house, is in massive disrepair and the club will repair the structure at no cost to the Authority. The lease was written by Mr. Broughal, and is year to year with the right for the Authority to terminate the lease with 30 days notice for whatever reason(s).

Mr. Master moved to authorize the Chairman to execute the lease with the Buck Rub Hunting Club as presented and discussed. Chairman Jobs seconded. Motion passed unanimously.

Indemnification Agreement with Visual School of Arts of New York. Mr. Repasch informed the Board that a student from the Visual School of Arts of New York had contacted him about filming her graduate thesis on approximately half an acre of Authority property along Hyspie Gap Road in Tunkhannock Township. He and Officer Meixell met with her at the site. She will bring equipment from the school and expects to be on site for a maximum two days, weather dependent. There are no significant issues, and Mr. Broughal has prepared an indemnification agreement for execution. The student will also furnish the Board with a copy of her film when it is completed.

Mr. Master moved to authorize the Chairman to execute the indemnification agreement with the Visual School of Arts of New York as presented and discussed. Mr. Gower seconded. Motion passed unanimously.

3rd Quarter 2010 Expense Projection and Budget Comparative

Income and Expense Projection for the 3rd Quarter 2010:

- Cash on Hand at August 1, 2010 -- \$415,090
- Projected Revenues Receivable – \$106,505 for the 3rd Quarter.
- Total Projected Professional, Administrative and Police Expenses – \$103,615 overall for the 3rd Quarter.
- Total Projected Cash on Hand at the end of the 3rd Quarter – \$449,000.

It was noted that the \$9,000 received from the wind energy development RFP's is included and offsets some of Broadlands' consulting fees.

Expense Budget Comparative for the 7 months ended July 31:

- Professional Services – \$59,958, 28% of budget.
- Security and Property Expenses – \$18,204, 60% of budget.
- Administrative Expenses – \$130,487, 54% of budget.
- Overall – \$208,648, 43% of budget.

REPORT OF THE CONTROLLER

Mr. Filipos' report for the month ended July 31 was circulated and filed. He noted that the City sent in the money for the Emmaus loan principal payment due August 2 in the amount of \$565,000.

Maximus Study. Mr. Filipos said he and the Executive Director met with Mr. Brong to review the Maximus Study. Some issues arose that are being investigated, and the Board will be informed by the next meeting. If they can't be resolved the Board will need to give direction on how to proceed. Also, in the 2nd Quarter Constroller's Oversight Report, it states that according to the Maximus Study, the Water Fund was undercharged by ~\$119,000.

Chairman Jobes said the City's Business Administrator has been asked to provide a plan and there should be a discussion on it. The issues are:

- Does the Board agree to reduce the amount the City owes the Water Fund according to the Maximus Study? (It is to the City's benefit.)
- Does the Board dispute the Maximus Study's allocations and the reasons behind the changes? What is the right number and how will past issues be worked out?

Resolution 318 – Professional and Administrative Expenses. Ms. Reppert presented Resolution 318 to the Board for approval. The resolution was circulated, filed and totals \$140,628.79. It consists of the following:

- Requisition 307 – City's water capital invoice totaling \$94,416.72
- Professional and Administrative expenses totaling \$46,212.07

Chairman Jobes noted that there are some expenses on the resolution that have been post-dated for payment. Those checks will be held until August 26, at which time they will be distributed or mailed. He moved to approve Resolution 318. Mr. Tallarico seconded. Motion passed unanimously.

REPORT OF THE SOLICITOR

Mr. Broughal had nothing to report.

REPORT OF THE CONSULTING ENGINEER

Neal Kern's report for the month of July was circulated, filed and accepted without comment. The work for the PA Avenue Pressure Control Valve Station and South Mountain Reservoir is ready to be bid. Mr. Repasch said that the PA Avenue work is part of the H2OPA Grant received in the amount of \$275,000. As engineering invoices are submitted, they are turned in for reimbursement and then deposited into the BRIF.

REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE

Officer Meixell's report was circulated and filed.

The Board inquired about geo-caching. Officer Meixell responded that it is an internet-based treasure hunting game using satellite-based GPS units. There was an object hidden at the base of the dam, and the internet company was contacted to remove the object from its website. The area where the object was found has been cleared of brush to allow better visibility.

Also, there is a growing gang problem, primarily in the Beltzville Park area. It has become a weekend meeting place for gang members from Philadelphia and New York due to lack of law enforcement. It is not an issue for us yet, but it is slowly surrounding the watershed. Carbon County has a gang task force but not Monroe County, and there has been gang graffiti in the Long Pond area. Carbon & Monroe counties are not members of the 222 Corridor Anti-Gang Task Force. However, spillover activity migrating north from that corridor is being monitored. Officer Meixell will attend a meeting in Carbon County on gang issues that will be conducted by the State Police.

WATER REPORT

The Water Report for July was circulated and filed. Due to the lack of rainfall, the levels at the reservoirs are down.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

Mr. Brong reported the following as of July 31:

- Receipts are \$1.1 million below plan
- Expenses are favorable to plan by \$182,000
- Net income \$1.1 million, or \$940,000 behind plan

- Cash on hand ~\$1.6 million, and should be \$2.5 million if the Water Fund was performing according to plan.

Invoicings are very slightly behind plan at \$10.5 million. July's invoicings were much higher than anticipated, at \$1.75 million, due to the high heat and dry conditions. It is expected that outdoor consumption will favorably impact invoicings through August and September. The real challenge will be in collections. Currently there is over \$1.6 million outstanding, and a little more than half of that amount is delinquent. There is a large debt service payment due in mid November, so things will be tight until that time.

Chairman Jobses queried if there are ways to get monies from other areas in the event there is not enough in the Water Fund to make the payment. Mr. Brong responded there may be some, but, in order to optimize cash, he is holding some bills for payment. If there are no other options, discussions with the Authority will be necessary. Chairman Jobses said if an issue is foreseen, we must plan ahead.

Mr. Brong said there has been a lot of good capital work done. The work on the 5 MG tank is complete and the tank is back in service. The work on the 0.5 MG tank on South Mountain will be complete in about two weeks. There have been ancillary benefits in having to take some major hydraulic structures out of service. Mr. Andrews and his workers have done an excellent job in minimizing service issues to customers, found areas where redundancies can be built into the system, can pump in different directions over the mountain, and so on.

NEXT MEETING

Chairman Jobses said the next meeting is scheduled for September 9 at 3:30 PM, although it may change due to quorum issues.

ADJOURNMENT

There being no further business, Mr. Master moved to adjourn the meeting. Mr. Gower seconded. Motion passed unanimously and the meeting adjourned at 5:15 PM.

Richard L. Master, Secretary